GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1585
ANSWERED ON:09.03.2007
FISCAL REFORMS
Bangaru Smt. Susheela Laxman

Will the Minister of FINANCE be pleased to state:

(a) whether the Fiscal Reform facility (FRF) instituted by the Union Government on the recommendations of Eleventh Finance Commission (EFC) provided for savings on account of some States not achieving necessary fiscal improvement to be given as incentives to the performing States;

(b) whether the saving of upgradation grants and local bodies grants under EFC recommendations were to be added to the savings of FRF; and

(c) if so, the amount of savings under

(a) and

(b) above?

Answer

Minister of State in the Ministry of Finance(SHRI PAWAN KUMAR BANSAL)

(a) to (c): The Eleventh Finance Commission (EFC) recommended monitorable fiscal reforms programmes for all States (the States` Fiscal Reforms Facility). It was recommended by the EFC that 15% of the withheld part of the grants recommended to cover the deficit of the States on non plan revenue account and a matching contribution by the Central Government be credited into an Incentive Fund from which fiscal performance based grants should be made available to all 25 States during 2000-2005. The EFC recommended that the grants for specific purpose like Upgradation, Special problems and Local Bodies, which remain unutilised due to non-observance of conditionalities attached to the release of the grants, may also be added to the Incentive Fund in the fifth year, i.e., 2004-05 for distribution among the performing States. However, EFC also recommended that the final decision in respect of the undisbursed balance from the Incentive Fund may be taken as per the recommendations of the Twelfth Finance Commission (TFC). The TFC reviewed this arrangement and did not recommend continuation of the scheme of States` Fiscal Reforms Facility (FRF) over its award period 2005-10, as the Scheme of Debt Relief recommended by it obviates the need for a separate FRF. The Government has decided to accept this recommendation of the TFC. Since the scheme of FRF itself was discontinued, any saving in this regard does not arise.